ANNUAL FINANCIAL REPORT 2009

UNIVERSITY OF MANITOBA

CONTENTS

(Additional information is available at www.umanitoba.ca/admin/financial_services/)

Mission Statement

The mission of the University of Manitoba is to create, preserve and communicate knowledge, and thereby, contribute to the cultural, social and economic well-being of the people of Manitoba, Canada and the world.

Vision Statement

We believe that the University of Manitoba will be a leader among Canadian universities as it becomes known for meeting challenges while it advances knowledge and understanding. We will not only be the first of western Canada's universities we will also be among the best of Canada's universities. We will be respected for our knowledge of the world and for our understanding of the complexities of our Prairie region in its cultural, socioeconomic and scientific dimensions, which we will articulate according to international standards of science and scholarship. We will be recognized for our centrality in the development of Manitoba's knowledge-based society in a knowledge-based global economy.

REPORT OF THE BOARD OF GOVERNORS

To the Minister of Advanced Education and Literacy, Manitoba

In Compliance with Section 22(1) of The University of Manitoba Act, the Annual Report on the financial affairs of the University for the year ended March 31, 2009 is herewith submitted to the Minister of Advanced Education and Literacy. In this report, we set forth in detail –

(a) the receipts and expenditures for the next preceding fiscal year,
(b) the investments as they stood at the end of the year, and
(c) other particulars which may be of interest to the Minister of Advanced Education and Literacy.

Included with this Report are the Report of the Vice-President (Administration), the Statement of Management Responsibility for Financial Reporting and the Report of the Auditor General of the Province of Manitoba on the audit of the accounts of the University.

Receipts and Expenditures:
Summary of General Operating Fund Results
(in thousands of dollars)

	Year Ended March 31 2009	2008
Revenues and Other Additions	$ 458,394	$ 431,733
Expenditures and Other Deductions	416,846	384,320
Net Revenues	41,548	47,413
Appropriated To Specific Provisions	(15,718)	(24,235)
Inter-Fund Transfers	(25,814)	(23,141)
Net Increase To Fund Balances	$ 16	$ 37

Additions exceeded deductions by $41,548,000 for the current fiscal year. Net appropriations of $15,718,000 were made to specific provisions and an amount of $25,814,000 was transferred to other funds. The resulting net surplus of $16,000 has been added to the general operating balance in the General Operating Fund, increasing it to a balance of $2,246,000 as at March 31, 2009.

Investments:
Investment holdings at March 31, 2009 were as follows (at fair value):
(in thousands of dollars)

Canadian Bonds and Other Fixed Income	$ 149,663
Canadian Equities	80,817
U.S. Equities	50,708
International Equities	36,631
Pooled Real Estate	43,532
Other Short Term Investments	59,228
	$ 420,579

Details of the above summaries will be found in the Consolidated Financial Statements of the University which follow.

REPORT OF THE BOARD OF GOVERNORS

Members of the Board of Governors:

At March 31, 2009 the members of the Board of Governors were as follows

Chair
Terry Sargeant, B.A., LL.B.

Vice-Chair
Janice Lederman, B.A., LL.B.

Chancellor
William Norrie, C.M., O.M., Q.C., B.A., LL.B., LL.D. (Manitoba), LL.D. (Winnipeg), D.P.M. (Manila)

President and Vice-Chancellor
David Barnard, B.Sc., M.Sc., Ph.D.(Toronto), Dip.C.S. (UBC)

Appointed by the Lieutenant-Governor-in-Council:
Aaron Berg, B.A. (Hons.), LL.B.
Alfred Black, B.Math., M.Math.
Patricia Bovey, B.A., FRSA
Ryan Eyford, B.A. (Hons.), M.A.
Janice Lederman, B.A., LL.B.
Richard Mahe, B.A.
Heather Milan, B.Sc.
Terry Sargeant, B.A., LL.B.
Melissa Sitter, B.Sc.
Thomas Strutt, B.A. (Hons.), M.A., L.L.B.
Shirley Van Schie, B.A. (Adv.), M.A., LL.B.

Elected by Senate
Judy Anderson, B.Sc., B.Sc.(Med.), Ph.D.
Doug Ruth, B.Sc., M.Sc., Ph.D.
Richard Sigurdson, B.A., M.A., Ph.D.

Elected by Graduates
Romel Dhalla, B.A., B.Comm. (Hons.)
Gwen Hatch, B.A., LL.B.
Rennie Zegalski, B.Comm. (Hons.)

Elected by the University of Manitoba Students Union
Aaron Glenn, B.Sc. (Hons.), M.Sc.
Jonny Sopotiuk
Mitch Tripple

University Secretary
Jeffrey M. Leclerc, B.Ed., M.Ed.

Respectfully submitted,
The Board of Governors,
The University of Manitoba

Terry Sargeant,
Chair

For 2008-09, the Province of Manitoba increased the University's base operating grant by 7.4% which represented a significant increase in funding. This level of operating grant increase, however, needs to be viewed in the context that the operating grant comprises approximately 60% of the total operating budget and that the tuition freeze was continuing into its ninth year. A 10.7% base operating grant increase had been requested to maintain existing programs and services. As a result, we faced an operating shortfall of $7.9 million between the funds requested and the funds received.

Through internal reallocations, refined revenue projections and reduced spending power, a balanced 2008-09 budget was developed and approved by the Board of Governors. Although the recommended operating budget was balanced, it still fell short of addressing the requirements of a research intensive university. In an environment of declining enrolment levels, the cumulative effect of the tuition fee freeze and many years of less than adequate government grant increases left many faculties and units within the University struggling to make ends meet.

Although we gratefully appreciate the increases made to the Provincial operating grant, many exciting initiatives remain unfunded. Balancing the budget in this fiscally constrained environment has put the University of Manitoba at a disadvantage compared to other universities across the country. Despite this challenge, the University community continues to be highly successful in its quest for excellence.

The following provides an overview of the financial results of the University for the fiscal year ended March 31, 2009. In doing so, I share the University community s success in moving the University forward in achieving its vision.

Investing in Manitoba's Future

For fiscal 2008-09, total University revenue in all Funds (unrestricted and restricted) was $600 million, a decrease of 3.5% from 2007-08 revenue of $621.9 million. The decrease in total revenues was primarily the result of investment losses.

Net Investment Loss of $62 million during the year was largely due to a 20% reduction in the value of assets held in the Trust and Endowment Funds. The University has a balanced portfolio of investments established to provide long-term returns. Global declines in equity markets during the year resulted in reduced investment values at year end. A further discussion of Trust and Endowment follows.

The Province of Manitoba through the Council on Post-Secondary Education (COPSE), Manitoba Health, Manitoba Student Aid, Agriculture and various provincial councils and funds in support of teaching, innovation, capital and research is the largest single supporter of the University, representing 52.3% or $314 million of total revenue, up from $291 million last year.

The University received $104 million or 17.4% of total revenue in contributions, donations and grants in support of research, special projects and initiatives, capital, chairs, scholarships, bursaries and staff benefits in 2008-09 from our generous individual and corporate donors, contributors and employees. Much of this revenue is restricted for various purposes by the donor, contributor or employee (for example, employee contributions to staff benefit plans) and as such cannot be used to support the general operation of the University. The increase over the $90 million received last year is due primarily to increased research revenues received from the Bill and Melinda Gates Foundation, the United States Agency for International Development and the US National Institutes of Health.

Students, through their tuition and related fees, provide a major source of the University's operating funds. In 2008-09, $98.5 million was assessed and collected, down from $99.7 million in the prior year. These fees represent about 16.4% of total revenues. Reduced enrolment levels resulted in the overall decline in tuition revenues.

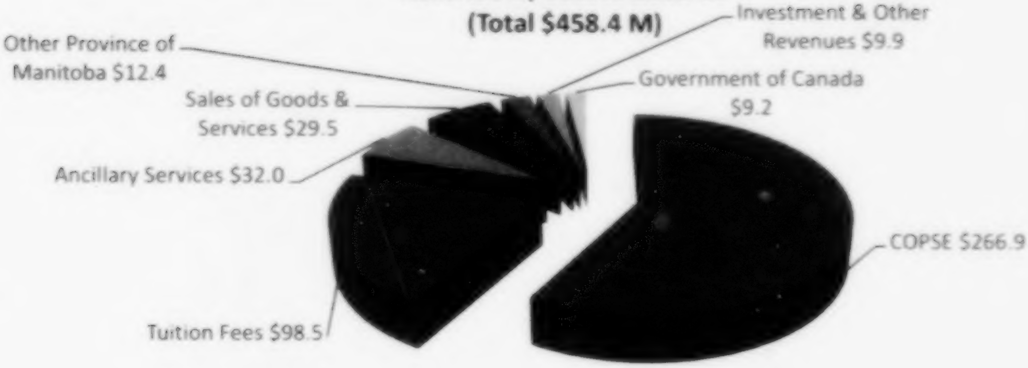
In 2008-09, contributions from the Government of Canada reduced from $81 million to $74.4 million, or 12.4% of total revenues. These revenues relate to specific research projects primarily awarded through the federal granting councils ($62 million), major capital projects and awards under the Canada Foundation for Innovation and Western Economic Diversification programs ($3.2 million), and the Indirect Costs of Research program ($8.5 million). The decrease in revenues over the prior year can be attributed to reduced revenues from Western Economic Diversification, the Canadian Institutes of Health Research, the Natural Sciences and Engineering Research Council and an adjustment to prior year revenues from Health Canada related to the Northern Medical Unit.

Table 1
General Operations
Summary Statements
(in thousands of dollars)

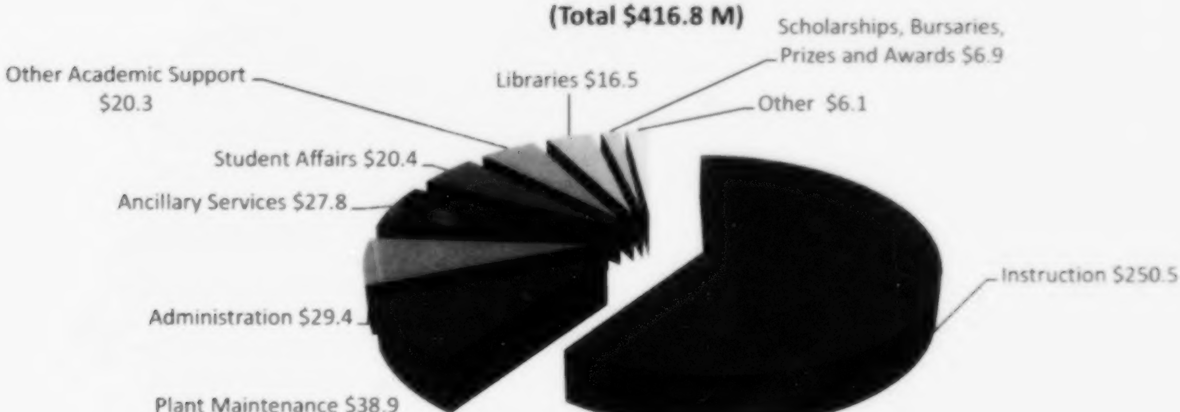
	April 1, 2008 Budget	March 31, 2009 Actual	March 31, 2008 Actual
Revenue:			
COPSE	$ 266,139	$ 266,845	$ 245,972
Tuition Fees	98,784	98,465	99,670
Ancillary Services	29,547	32,062	30,546
Sales of Goods & Services	24,570	29,500	26,403
Other Province of Manitoba	8,386	12,407	9,830
Investment & Other Revenues	5,694	9,902	10,183
Government of Canada	8,510	9,213	9,129
	441,630	458,394	431,733
Expense by Function:			
Instruction	225,669	250,464	231,681
Plant Maintenance	41,364	38,892	37,550
Administration	27,925	29,443	26,295
Ancillary Services	26,724	27,797	26,045
Student Affairs	18,377	20,399	18,741
Other Academic Support	24,281	20,273	18,134
Libraries	23,572	16,506	15,534
Scholarships, Bursaries, Prizes and Awards	5,981	6,935	4,381
General	4,628	3,853	4,102
Property Tax	600	410	396
Actuarially Determined Pension Expenses		4,043	
Actuarially Determined Employee Future Benefits		410	3,876
Staff Benefits Contra		(2,579)	(2,415)
Central Reserves *	30,726		-
	429,847	416,846	384,320
Net Revenue	11,783	41,548	47,413
Net Transfer to/from Other Funds	(11,783)	(41,532)	(47,376)
Net Increase to Fund Balance	$	$ 16	$ 37
Expense by Type:			
Salaries & Wages	$ 247,160	269,780	$ 253,431
Supplies and Expenses	106,298	60,833	51,659
Staff Benefits	34,035	41,423	38,338
Ancillaries Cost of Goods Sold	14,861	16,339	15,375
Utilities	15,575	15,293	15,273
Scholarships, Bursaries, Prizes and Awards	5,981	6,935	4,381
Payroll Tax Levy	5,338	5,833	5,467
Property Tax	600	410	396
	$ 429,847	$ 416,846	$ 384,320

* Represents funds budgeted for distribution to unit budgets during the year for salary and contract increases and other centrally funded initiatives.

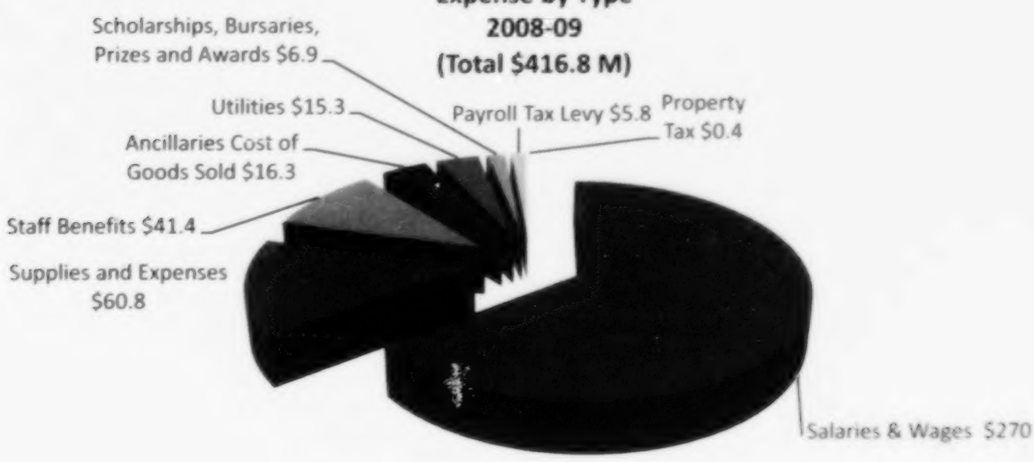
General Operating Fund Revenue by Source 2008-09 (Total $458.4 M)



Expense by Function 2008-09 (Total $416.8 M)



Expense by Type 2008-09 (Total $416.8 M)



The University's Ancillary Services, which are comprised of the BookStore, Residences, Parking and Pharmacy, generated $32 million or 5.3% of total revenue in 2008-09, an increase of $1.5 million over the prior year. Ancillary Services are completely self-sustaining and contribute to the University's operation by covering their share of overhead in addition to their direct costs, as well as the capital costs of refurbishing Ancillary facilities, acquiring equipment and constructing and upgrading parking lots. They also support non-revenue generating units such as Security Services.

The sale of various goods and services generated 4.9% of total revenues in 2008-09 or $29.5 million, up over $3 million from 2007-08. These revenues supplement the resources available to many faculties and schools for operating purposes while at the same time providing valuable linkages to the community.

University Operating Results

The operating results of the University for 2008-09, shown on a comparative basis with the prior year and the April 1, 2008 Board of Governors approved operating budget are summarized in **Table 1, General Operations**. Operating revenues are shown by source, and expenses are shown by function and type to provide an overview of how the University utilizes the resources of the General Operating Fund. The University was successful again this year in achieving a balanced budget. Although under increasing budget pressure, there is a strong commitment to fiscal responsibility and financial stability on the part of the University's administration, faculties, schools, libraries, and support units. This is achieved in a decentralized system of budgetary control where academic and support units are allocated resources to meet the strategic priorities of the University. The operating units are provided with procedures to administer their budgets responsibly and to ensure there is accountability for the resources that are transferred to them.

The current fiscal year general operating surplus was $16,000 after net transfers of $41.5 million to other funds. The most significant of these are transfers to the capital fund of $26 million for the acquisition of furniture and equipment, computers, library acquisitions and vehicles and for the renovation of various facilities. The use of operating funds to support the acquisition of minor capital is consistent with practices in prior years as funding is generally not available from other sources. Because the University uses fund accounting to account for its revenues and expenses there are many transfers between funds which are detailed in the notes to the accompanying financial statements.

As detailed in Table 2, general operating expenses increased by $32.5 million or 8.5% in fiscal 2008-09 over 2007-08. A new expense this year is the Actuarially Determined Pension Expense which is the result of starting to recognize the pension obligation. The University pension plans have been impacted by retirees being projected to live longer, less than expected investment returns, and low interest rates. These factors have combined to create an actuarially determined deficit of almost $120 million.

Other than the new pension expense, in comparing expenses by function, the largest proportionate increase was to Scholarships, Bursaries, Prizes and Awards which was up $2.6 million or 58% compared to the prior year. Partially offsetting the trend of increased expenses was a $3.5 million decrease in the Change in Actuarially Determined Employee Future Benefits expense. Expense by Type illustrates that $317 million or over 76% of the general operating expenses are incurred in payment of salaries, wages, benefits, and payroll levy.

Staff

The University of Manitoba's most valuable resource is its faculty and staff who bring their knowledge, expertise and commitment to the table, working in a collegial fashion to achieve the University's goals. Of the 4,175 full time equivalent staff employed during the year, 1,902 were faculty and 2,273 were administrative staff. Ancillary services employed a further 155 staff. Staffing levels have increased by 6 full time equivalent positions in the year.

People drive the success of the University of Manitoba – faculty and staff are committed to providing students with the exceptional education that they expect and deserve. The experience in the classroom and research laboratory is paramount to students' future success and contribution to society. Attracting and retaining the best faculty and staff requires that we compete globally by offering fair compensation packages, state-of-the-art facilities in which to teach and perform research, and state-of-the-art equipment in classrooms and laboratories.

Faculty achievements throughout the University community this past year were many and varied and are too numerous to detail in this report. To name a few: Dr. John Loxley, Economics, was awarded the 2008 Canadian Association of University Teachers (CAUT) Distinguished Academic Award, CAUT's highest honour; Distinguished Professor Dr. Frank Hawthorne, Geological Sciences, was selected as the winner of the 2008 Canada Council Killam Prize in the Natural Sciences; Dr. Doug Ruth, Dean of the Faculty of Engineering, was named Fellow of the Canadian Academy of Engineering; Dr. Charles Bernstein, Internal Medicine, was elected a Fellow of the Canadian Academy of Health Sciences; Dr. Warren Cariou, English, and Dr. C. Emdad Haque, Natural Resources Institute, were awarded 2008

Table 2
Selected Statistics

	Fall Term 2008	Fall Term 2007	Fall Term 2006	2005-2006	2004-2005
Enrolment					
Total Students[1,2]	26,238	26,814	26,931	28,049	27,631
•Undergraduate students	22,544	23,044	23,251	24,267	23,935
% Annual Change	-2.2	-0.9		1.4	3.9
Full-Time	18,345	18,767	18,494	17,904	17,633
Part-Time	4,199	4,277	4,757	6,363	6,302
•Graduate students	3,224	3,290	3,236	3,332	3,260
% Annual Change	-2.0	1.7		2.2	4.8
Full-Time	2,452	2,487	2,463	2,352	2,335
Part-Time	772	803	773	980	925
•Post-Graduate Medical Education Students	470	480	444	450	436
Summer Enrolment	9,437	9,599	9,638	11,127	10,328
% Annual Change	-1.7	-0.4		7.7	3.8
Full-Time Equivalent Students[1,3]	25,384	25,928	25,735	25,983	25,420
% Annual Change	-2.1	0.8		2.2	4.2
International Students	2,134	2,419	2,602	2,661	2,304
Self-Declared Canadian Aboriginal Students[4]	1,766	1,648	1,578	1,652	1,606
Undergraduate	1,638	1,513	1,464	1,560	1,563
% of Total undergraduate	7.3	6.6	6.3	6.4	6.5
% of Total University 1	8.3	7.1	6.8	6.1	6.4
Graduate	123	127	106	87	42
% of Total Graduate	3.8	3.9	3.3	2.6	1.3
Post Graduate Medical Education	5	8	8	5	1
% of Total PGME	1.1	1.7	1.8	1.1	0.2
Undergraduate Student Credit Hours					
Fall and Winter	491,828	495,370	504,881	529,332	525,330
Summer[5]	49,244	52,255	55,248	43,889	43,775
On-load[6]	6,133	5,556	5,170	4,410	6,970
Degrees, Diplomas, Certificates Conferred					
Undergraduate	4,382	4,052	4,165	4,006	4,009
Graduate	765	759	729	696	625
Staff Paid From Operating Funds[7]					
FTE Academic	1,712.2	1,676.1			
FTE Support	2,020.0	2,005.0			
Total FTE (Excl Ancillary)	3,732.3	3,681.1			
Ancillary FTE	154.9	159.4			
Staff Paid from Non-Operating/Both Op & Non-Op Funds[7]					
FTE Academic	189.3	187.9			
FTE Support	253.2	275.0			
Total FTE	442.5	462.8			

Note: Fall 2008 figures represent the third year of the implementation of a new student information system. Previous years reflect sessional figures and are not strictly comparable.

1. As at November 1st.
2. Includes B.Sc.(Dentistry), B.Sc.(Medicine) and Joint Master's Program students based on workload calculations.
3. Full-Time Equivalent Students = Full time + (Part-time / 3.5). Includes all terms.
4. Aboriginal identity is a voluntary self declaration made on the Admission form. Therefore, the numbers reported would be less than the total population of Canadian Aboriginal students on campus.
5. Beginning in 2005-2006, Summer undergraduate student credit hours include Summer distance education courses. Historical data are not strictly comparable.
6. Courses taught during Summer terms as part of Fall and Winter teaching load.
7. All staff counts are shown as full time equivalent (FTE). Completely comparable data are not available prior to 2007.
   The Non-Operating / Both Operating and Non-Operating Funds FTE counts reflect employees who are paid from either non-operating funds or a combination of operating and non-operating funds.

Fulbright Visiting Chair Awards; Dr. Edwin Kroeger, Physiology, received The Canadian Council on Animal Care's 2008 Harry Rowsell Award for Outstanding Service; Dr. Diana Brydon, English, was elected to the Royal Society of Canada (RSC); Drs. Maureen Heaman and Lesley Degner, Nursing, were awarded one of the most esteemed honors in the nursing profession, the Centennial Award; Distinguished Professor Dr. Harvey Chochinov, Psychiatry and Community Health Sciences and Family Medicine, received the O. Harold Warwick Prize, which is part of the National Cancer Institute of Canada's annual awards of excellence in cancer research programs.

Students

As expected, undergraduate enrolment declined this year in part due to the decline in the number of international students. The reduced number of international students has a large impact on revenues as these students pay higher tuition. Partially offsetting this decline was the increased enrolment in Medicine, and growth in non-degree programs with increases in both Extended Education programs and the English Language Centre.

There has also been growth in the number of self-declared Aboriginal students this year. With the grand opening of Aboriginal House during the year, the University is proud of its track record in creating opportunities for all Aboriginal peoples and cultures, including First Nations, Metis, and Inuit. We continue efforts to extend opportunity for all students to excel at university and ultimately pursue successful careers in all areas of the economy.

Table 2, Selected Statistics provides information on undergraduate and graduate student enrolment, self-declared Aboriginal students, undergraduate student credit hours, degrees, diplomas and certificates conferred on our graduates, and full time equivalent staff information.

Trust and Endowment Fund

The University of Manitoba endowment fund and the specific trust investments realized losses in fiscal 2009 due to the global economic meltdown. At March 31, 2009, the University Investment Trust ("UIT") investments were $250 million (2008 - $307 million) and the specific trusts were $33 million (2008 - $35 million). As at March 31st, the one year rate of return for the UIT was -20.0%. The losses incurred in global stock markets were of historical proportions, and endowment funds around the globe have been adversely affected. The endowment fund of the University of Manitoba is no exception, and the 20% loss was typical of other Canadian university endowment funds. After careful deliberations, the Trust Investment Committee (the "Committee") that oversees the endowment fund recommended maintaining the 4.5% spending rate allocation in light of good liquidity in the fund, and focusing on the long term earning power of the fund. The spending policy of the endowment will be monitored closely over the upcoming year in light of market returns and endowment performance, and the long term viability of the 4.5% spending rate will be re-assessed at the end of the year. The Committee is carefully reviewing the asset mix and mandates of the fund, and where appropriate, they will make changes to ensure the long term objectives of the fund are being met.

In spite of the economic turmoil, the endowment fund benefited from the continuing generosity of its donors. The UIT received over $23 million in new gifts, and the specific trusts received another $6 million. The endowment also generated over $13 million in available spending for beneficiaries to support faculties and schools, students, teaching, research, athletics, and libraries.

At the end of fiscal 2009, the Committee hired a new investment firm to manage the Canadian equity mandate of the fund. Burgundy Asset Management will replace AMI Partners as the sole manager of Canadian equities, and the Committee is looking forward to this new partnership with Burgundy in the years to come.

Table 3.1 and **3.2 Donor Pledges** summarizes pledges received by type of donor and the purpose for which the gift was pledged.

Table 3.1
Donor Pledges by Type of Gift
2008-09
(Total $44.1 M)

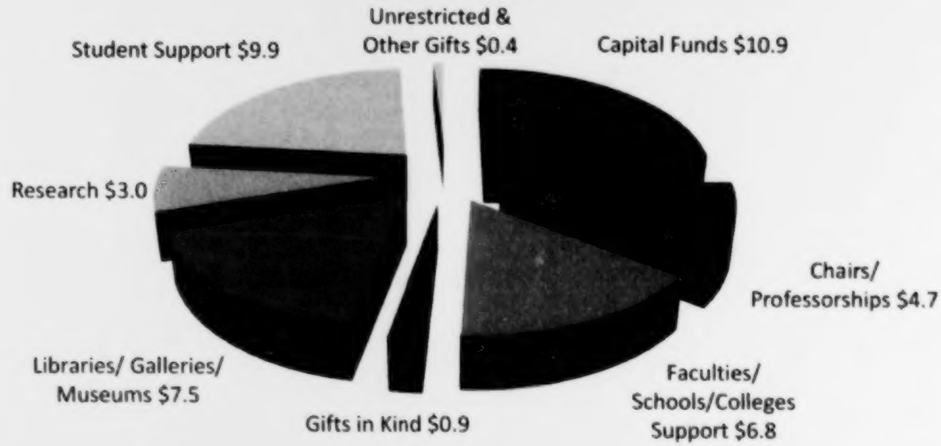
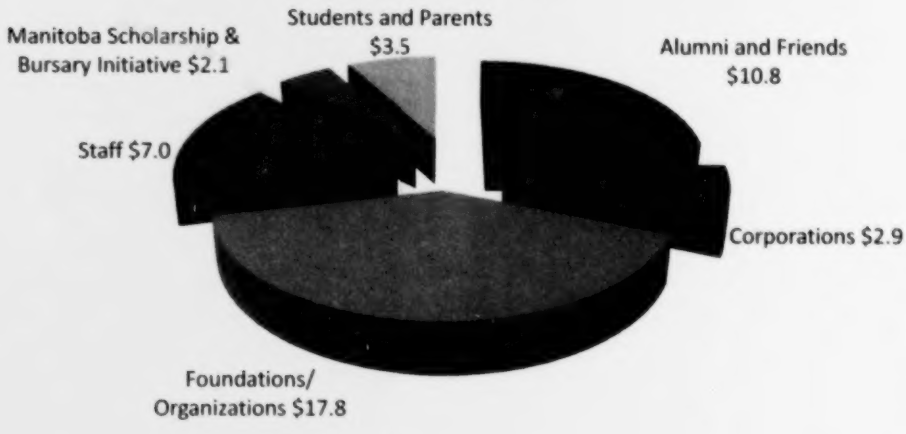


Table 3.2
Donor Pledges by Constituency
2008-09
(Total $44.1M)



World Class Research

The University of Manitoba currently holds 48 Canada Research Chairs, and is an active participant in 11 of Canada's National Networks of Centres of Excellence, including the ISIS Canada Research Network (Intelligent Sensing for Innovative Structures), which is headquartered in the Faculty of Engineering. The University is also home to, or a partner in, 37 research centres, institutes and shared facilities that foster collaborative research and scholarship in a wide variety of fields.

The University of Manitoba continues its reputation for international collaborative research partnerships with the announcement by the Province of Manitoba of $1.8 million for three biotechnology collaboration projects with the Government of South Australia. Funding provided from the Province of Manitoba by the International Collaboration Fund is designed to support research and development with other jurisdictions. Projects underway are: Dr. Robert Hill, plant science, will be studying the complex problems associated with canola crop improvement; Dr. Curtis Rempel, Richardson Centre for Functional Foods and Nutraceuticals, will be evaluating bioactive lipids and proteins found in dairy products; and Dr. John Wilkins, Manitoba Centre for Proteomics and Systems Biology, will be researching how cellular diseases get into human cells and what triggers them to spread.

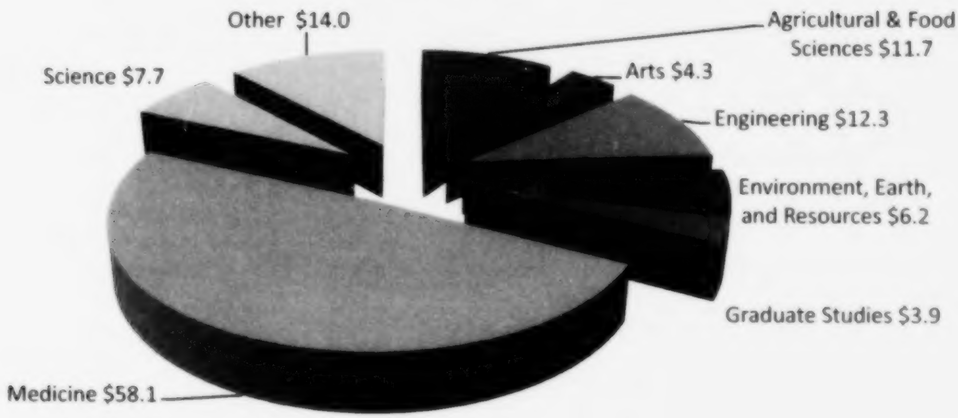
In 2008-09, research at the University of Manitoba continued to grow, with investment in a number of key areas. University researchers received $132.8 million in sponsored or assisted research support through grants or contracts from the federal and provincial governments, various foundations, business and industry, and individuals. This represents an 8.6% increase over the $122.3 million received in 2007-08. Over the last five years, sponsored or assisted research funding has increased by 59% from a level of $83.5 million in 2004-05.

Table 4, Research Fund-Expenses by Faculty or Support Unit, illustrates the level of research activity, as measured by the level of spending, in Faculties and Schools in 2008-09. Research activity was highest in the Faculty of Medicine, at a level of $58.1 million in 2008-09. The second-highest was the Faculty of Engineering at $12.3 million (including the ISIS Canada Research Network), followed by the Faculty of Agricultural and Food Sciences at $11.7 million, and the Faculty of Science at $7.7 million. In 2008-09, a total of $118 million was spent on sponsored or assisted research activities at the University of Manitoba.

University of Manitoba researchers were also successful in competing for grant funding from the Canada Foundation for Innovation (CFI), which is matched by contributions from the Manitoba Research and Innovation Fund (MRIF) and industry partners. This funding supports research infrastructure, including the cutting-edge equipment and facilities vital for the University's wide range of innovative research programs. In 2008-09, 13 faculty members received awards totaling $5.3 million from the Leaders Opportunity Fund, which is designed to assist universities in attracting excellent faculty to Canadian universities as well as retaining the best researchers for Canada. The new funding supports research in areas such as environment and geography, textile sciences, chemistry, plant sciences, electrical and mechanical engineering, biosystems engineering, biological sciences, and political studies.

Funding from the CFI, MRIF and matching contributions from industry, along with the corresponding expenditures, are reflected in the Capital Asset Fund. In 2008-09, total contributions from these sources were $5.4 million. When combined with sponsored or assisted research funding of $132.8 million, University of Manitoba researchers received $138.2 million in funding in 2008-09.

Table 4
Research Fund Expenses by Faculty or Support Unit 2008-09
(Total $118.2 M)



Investment in Capital, Infrastructure, and Technology

There was activity on a number of fronts in 2008-09 as we completed some projects and started others. Unfortunately, the year ended with a fire causing significant damage and displacement of students and staff.

In addition to $10.6 million of expenditures on Furniture and Equipment in the Operating Fund and $9.0 million of expenditures on Library Holdings, spending on major projects completed this year include the Soccer Complex ($6.2 million), Apotex Centre ($6.9 million), Immunology Upgrades ($2.8 million), Aboriginal House ($0.9 million), Robert B. Schultz Lecture Theatre ($2.4 million), and the Library Remote Storage Facility ($0.3 million).

"Project Domino" construction and renovations started this year as the Faculty of Pharmacy moved into the new Apotex Centre, allowing renovations to start on its old building which will soon house the Department of Biological Sciences. Planning for a new student residence and the redevelopment of Tache Hall for the Marcel A. Desautels Faculty of Music and the School of Art continued this year.

Various other projects commenced this year, including the Welcome Centre; renovations in support of the new Physician Assistant Education Program; further development of the pedestrian corridor between Chancellor Matheson Road and the Administration Building; and the High Performance Computing Centre which will become part of the Western Canada Research Computing Grid. Transformation of a heritage building at the heart of Winnipeg's business and financial district will house the Asper School of Business's Executive Development Program and include state-of-the-art teaching and meeting facilities.

Infrastructure renewal projects undertaken in 2008-09 included Asbestos Remediation ($2.1 million), Fire and Safety ($1.6 million), Roof Repairs ($1.5 million) and Fort Garry outfall pumping station ($2.4 million). In addition, a heating upgrade project commenced for the Apotex Centre and Brodie Building to optimize savings from electric off-peak heating systems. This new technology is expected to dramatically reduce heating costs and is more environmentally friendly.

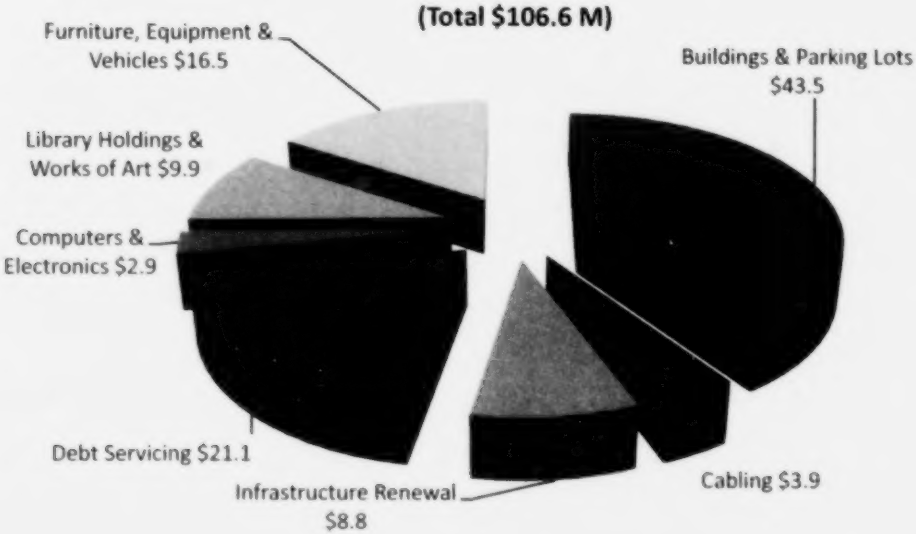
On March 28, 2009 the Duff Roblin Building suffered significant fire damage. Teaching, research and administrative functions are being accommodated in other areas of the University while restoration and repair is underway. No write down in asset values has been recorded as at this stage an estimate of the extent of damage and the costs of repair have not been determined.

The consolidated financial statements include Smartpark Development Corporation, the University's research and technology park. In 2008-09, Smartpark's community of innovators remained strong and fully occupied. The overall tenant desire to grow has settled from the previous year, reducing pressure on Smartpark to accommodate new space; however some major tenants still plan to expand. Cangene purchased 137 Innovation Drive from Smartpark for its new Rh plasma collection facility. The possession date in December 2009 will allow RTDS Technologies and TransGrid Solutions to relocate to a new building at 150 Innovation Drive bridging the Lake 1 retention pond. Negotiations and design continue for a new plant breeding, research and development facility; a composite research and commercialization facility; and a new incubator facility.

Smartpark Research and Technology Park is now home to 20 tenant organizations and 10 start-up businesses, employing 1,000 people in 7 buildings across the park with $117 million of capital investment.

Table 5, Capital Fund Expenditures provides a more detailed breakdown of the $85.5 million in capital asset expenditures and debt servicing costs of $21.1 million during 2008-09.

Table 5
Capital Fund Expenditures
2008-09
(Total $106.6 M)



As Asset to Our Community

In addition to success at providing a quality university education to our students and conducting world class research with global implications, the University of Manitoba reaches out to the community in many other ways, through continuing education, collaborative efforts with business and industry, and through the provision of specialized services not readily available locally. The University operates two main campuses, Bannatyne and Fort Garry, with satellite teaching and research facilities at Glenlea Research Station, Ian M. Morrison Research Farm in Carman, Delta Marsh, University of Manitoba Downtown: Aboriginal Education Centre, and at the William Norrie Centre on Selkirk Avenue.

In addition, Dentistry, Medicine and Social Work all offer programs onsite and through distance education delivery techniques in rural and northern communities. Dentistry offers extensive dental services through the Centre for Community Oral Health and Medicine provides health services through the Northern Medical Unit, bringing dental and health care to remote and Aboriginal communities. The University Centre Pharmacy also operates the Medical Information Line for the Elderly which offers phone and walk-in medication consultation to all Manitobans.

Smartpark continues to flourish, providing business and industry with opportunities to work collaboratively with researchers at the University of Manitoba.

The University of Manitoba's success in delivery of education, research, and community service translates into major economic, social, and cultural benefits for the people of Manitoba.

Conclusion

Increased investment in the University is the right choice for Manitoba and will not only result in sustaining the capacity of the University to support learning, innovation in research, and community service, but also ensure that Manitobans will prosper.

The University acknowledges with gratitude the continuing support of the Province and the Council on Post-Secondary Education as well as the support of our students, staff, alumni, and community stakeholders.

Respectfully submitted,

Deborah McCallum

Deborah J. McCallum
Vice-President (Administration)

UNIVERSITY
OF MANITOBA

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA). The University believes the consolidated financial statements present fairly the University's consolidated financial position as at March 31, 2009 and the results of its operations for the year then ended.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the consolidated financial statements. The Board has delegated certain responsibilities to its Audit Committee including the responsibility for reviewing the annual consolidated financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit Committee with or without the presence of management. The Board has approved the consolidated financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of consolidated financial statements. The integrity of internal controls is reviewed on an ongoing basis by Audit Services and the Auditor General.

The consolidated financial statements for the year ended March 31, 2009 have been reported on by the Auditor General of Manitoba, the auditor appointed under the University of Manitoba Act. The Auditor's Report outlines the scope of her examination and provides her opinion on the fairness of presentation of the consolidated financial statements.

Deborah McCallum

Deborah J. McCallum,
Vice-President (Administration).

May 25, 2009
Winnipeg, Manitoba

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of the University of Manitoba

We have audited the consolidated statement of financial position of the University of Manitoba as at March 31, 2009, and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
May 25, 2009

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
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CONSOLIDATED FINANCIAL STATEMENTS

University of Manitoba
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2009*	*2008*
Current Assets		
Cash	$ 90,419	$ 17,605
Marketable Investments	30,715	138,470
Accounts Receivable (Note 4)	60,914	78,828
Inventories	3,513	3,053
Prepaid Expenses	796	1,212
	186,357	239,168
Long Term Assets		
Investments (Note 5)	389,864	388,436
Capital Assets, Net of Accumulated Amortization (Note 7)	710,997	669,204
	1,100,861	1,057,640
	$ 1,287,218	$ 1,296,808
Liabilities		
Current Liabilities		
Accounts Payable	$ 49,739	$ 44,547
Unearned Revenue	6,152	3,755
Staff Vacation Entitlements	9,910	9,021
Bank Loans		3,061
Current Portion of Capital Lease Obligations (Note 8)	420	420
Current Portion of Long Term Debt (Note 9)	4,188	5,293
	70,409	66,097
Long Term Liabilities		
Other Long Term Liabilities (Note 10)	2,046	4,546
Capital Lease Obligations (Note 8)	533	762
Long Term Debt (Note 9)	166,748	164,118
Employee Future Benefits (Note 11)	58,888	58,478
Pension Obligation (Note 15)	4,043	
	232,258	227,904
Fund Balances	984,551	1,002,807
	$ 1,287,218	$ 1,296,808

Contractual Obligations and Contingencies (Note 18)

Terry Sargeant - Chair

Janice Lederman - Vice-Chair

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances
for the years ended March 31
(in thousands of dollars)

	General Funds (Note 2e)	Restricted Funds (Note 2f)	Endowment Fund (Note 2g)	2009 Total Funds	2008 Total Funds
Revenue:					
Tuition and Related Fees	$ 98,465	$	$	$ 98,465	$ 99,670
Contributions, Donations, Non-Government Grants	2,122	80,664	21,483	104,269	90,167
Net Investment Income (Note 16)	5,649	(21,825)	(45,947)	(62,123)	(4,062)
Miscellaneous Income	2,131	4,419		6,550	3,914
Government Grants:					
Council on Post-Secondary Education	266,845	4,939		271,784	254,544
Other Province of Manitoba	12,407	29,855		42,262	36,518
Government of Canada	9,213	65,225		74,438	81,020
City of Winnipeg		2,827		2,827	3,173
Sales of Goods and Services	29,500			29,500	26,403
Ancillary Services	32,062			32,062	30,546
	458,394	166,104	(24,464)	600,034	621,893
Expense:					
Academic	250,464	119,893		370,357	345,794
Libraries	16,506	126		16,632	15,670
Student Affairs	20,399	152		20,551	18,915
Administration	29,443	2,902		32,345	29,387
Plant Maintenance	38,892	10		38,902	37,703
Other Academic Support	20,273	261		20,534	18,351
General	3,853	5,255		9,108	9,026
Property Taxes	410			410	396
Scholarships, Bursaries, Prizes and Awards	6,935	17,182		24,117	19,167
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations		11,988		11,988	9,976
Amortization of Capital Assets		43,675		43,675	41,079
Ancillary Services	27,797			27,797	26,045
Actuarially Determined Employee Future Benefits	410			410	3,876
Actuarially Determined Pension Expense	4,043			4,043	
Staff Benefits Contra	(2,579)			(2,579)	(2,415)
	416,846	201,444		618,290	572,970
Net Revenue (Expense)	41,548	(35,340)	(24,464)	(18,256)	48,923
Inter-Fund Transfers (Note 13)	(36,084)	31,663	4,421		
Net (Decrease) Increase to Fund Balances	5,464	(3,677)	(20,043)	(18,256)	48,923
Fund Balances Beginning of the Year	24,438	795,618	182,751	1,002,807	890,996
Adjustment for Financial Instruments					62,888
Fund Balances End of the Year	$ 29,902	$ 791,941	$ 162,708	$ 984,551	$ 1,002,807
Unrestricted Funds	$ (49,068)	$	$	$ (49,068)	$ (45,834)
Internally Restricted Funds	78,970	42,170		121,140	123,180
Externally Restricted Funds		171,394	162,708	334,102	381,052
Invested in Capital Assets		578,377		578,377	544,409
	$ 29,902	$ 791,941	$ 162,708	$ 984,551	$ 1,002,807

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the General Funds for the years ended March 31 (in thousands of dollars)

	General Operating Fund (Note 2e)	*Specific Provisions Fund (Note 2e)*	*Expenses Funded From Future Revenues (Note 2e)*	*2009 Total General Funds*	*2008 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 98,465	$	$	$ 98,465	$ 99,670
Contributions, Donations, Non-Government Grants	2,122			2,122	1,497
Net Investment Income (Note 16)	5,649			5,649	6,983
Miscellaneous Income	2,131			2,131	1,703
Government Grants:					
Council on Post-Secondary Education	266,845			266,845	245,972
Other Province of Manitoba	12,407			12,407	9,830
Government of Canada	9,213			9,213	9,129
Sales of Goods and Services	29,500			29,500	26,403
Ancillary Services	32,062			32,062	30,546
	458,394			458,394	431,733
Expense:					
Academic	250,464			250,464	231,681
Libraries	16,506			16,506	15,534
Student Affairs	20,399			20,399	18,741
Administration	29,443			29,443	26,295
Plant Maintenance	38,892			38,892	37,550
Other Academic Support	20,273			20,273	18,134
General	3,853			3,853	4,102
Property Taxes	410			410	396
Scholarships, Bursaries, Prizes and Awards	6,935			6,935	4,381
Ancillary Services	27,797			27,797	26,045
Actuarially Determined Employee Future Benefits	410			410	3,876
Actuarially Determined Pension Expense	4,043			4,043	
Staff Benefits Contra	(2,579)			(2,579)	(2,415)
	416,846			416,846	384,320
Net Revenue	41,548			41,548	47,413
Inter-Fund Transfers (Note 13)	(41,532)	8,698	(3,250)	(36,084)	(26,993)
Net Increase (Decrease) to Fund Balances	16	8,698	(3,250)	5,464	20,420
Fund Balances Beginning of the Year	2,230	70,272	(48,064)	24,438	4,018
Fund Balances End of the Year	$ 2,246	$ 78,970	$ (51,314)	$ 29,902	$ 24,438
Unrestricted Funds	$ 2,246	$	$ (51,314)	$ (49,068)	$ (45,834)
Internally Restricted Funds		78,970		78,970	70,272
	$ 2,246	$ 78,970	$ (51,314)	$ 29,902	$ 24,438

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the Restricted Funds for the years ended March 31 (in thousands of dollars)

	Capital Asset Fund (Note 2f)	Research and Special Fund (Note 2f)	Staff Benefits Fund (Note 2f)	Trust Fund (Note 2f)	2009 Total Restricted Funds	2008 Total Restricted Funds
Revenue:						
Contributions, Donations, Non-Government Grants	$ 6,782	$ 65,655	$ 1,480	$ 6,747	$ 80,664	$ 72,285
Net Investment Income (Note 16)	789		(6,085)	(16,529)	(21,825)	7,223
Miscellaneous Income	4,243		176		4,419	2,211
Government Grants:						
Council on Post-Secondary Education	4,939				4,939	8,572
Other Province of Manitoba	12,228	17,627			29,855	26,688
Government of Canada	3,183	62,042			65,225	71,891
City of Winnipeg	2,827				2,827	3,173
	34,991	145,324	(4,429)	(9,782)	166,104	192,043
Expense:						
Academic		119,893			119,893	114,113
Libraries		126			126	136
Student Affairs		152			152	174
Administration		2,902			2,902	3,092
Plant Maintenance		10			10	153
Other Academic Support		261			261	217
General			3,727	1,528	5,255	4,924
Scholarships, Bursaries, Prizes and Awards		5,117		12,065	17,182	14,786
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations	11,988				11,988	9,976
Amortization of Capital Assets	43,675				43,675	41,079
	55,663	128,461	3,727	13,593	201,444	188,650
Net Revenue	(20,672)	16,863	(8,156)	(23,375)	(35,340)	3,393
Inter-Fund Transfers (Note 13)	54,640	(10,942)	(1,960)	(10,075)	31,663	24,102
Net Increase (Decrease) to Fund Balances	33,968	5,921	(10,116)	(33,450)	(3,677)	27,495
Fund Balances Beginning of the Year	544,409	94,452	12,912	143,845	795,618	746,841
Adjustment for Financial Instruments						21,282
Fund Balances End of the Year	$ 578,377	$ 100,373	$ 2,796	$ 110,395	$ 791,941	$ 795,618
Internally Restricted Funds	$	$	$ 5,903	$ 36,267	$ 42,170	$ 52,908
Externally Restricted Funds		100,373	(3,107)	74,128	171,394	198,301
Invested in Capital Assets	578,377				578,377	544,409
	$ 578,377	$ 100,373	$ 2,796	$ 110,395	$ 791,941	$ 795,618

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
as at March 31
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2009 Total Funds	2008 Total Funds
Cash from Operating Activities:					
Net Revenue (Expense)	$ 41,548	$ (35,340)	$ (24,464)	$ (18,256)	$ 48,923
Amortization of Capital Assets		43,675		43,675	41,079
	41,548	8,335	(24,464)	25,419	90,002
Net Change in Non-Cash Working Capital Items	10,702	15,646		26,348	(13,765)
Net Change in Other Long Term Liabilities		(2,500)		(2,500)	4,200
Net Change in Pension Obligation	4,043			4,043	
Net Change in Employee Future Benefits	(1,581)	1,991		410	3,876
Net Cash Generated through (used in) Operating Activities	54,712	23,472	(24,464)	53,720	84,313
Investing Activities:					
Decrease (Increase) in Long Term Investments	(69,969)	48,498	20,043	(1,428)	(12,004)
Purchase of Capital Assets		(85,468)		(85,468)	(109,388)
Net Cash Generated through (used in) Investing Activities	(69,969)	(36,970)	20,043	(86,896)	(121,392)
Financing Activities:					
Proceeds from Capital Lease Obligations		269		269	1,046
Proceeds from Long Term Debt		7,075		7,075	
Principal Repayment on Capital Lease Obligations		(498)		(498)	(520)
Principal Repayment on Bank Loans		(3,061)		(3,061)	(363)
Principal Repayment on Long Term Debt		(5,550)		(5,550)	(4,842)
Net Cash Used in Financing Activities		(1,765)		(1,765)	(4,679)
Net Increase (Decrease) in Cash	(15,257)	(15,263)	(4,421)	(34,941)	(41,758)
Inter-Fund Adjustments	(36,084)	31,663	4,421		
Cash Beginning of Year	93,369	62,706		156,075	197,833
Cash End of Year	$ 42,028	$ 79,106	$	$ 121,134	$ 156,075
Cash is defined as:					
Cash	$ 41,553	$ 48,866	$	$ 90,419	$ 17,605
Marketable Investments	475	30,240		30,715	138,470
	$ 42,028	$ 79,106	$	$ 121,134	$ 156,075

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as recommended by the Canadian Institute of Chartered Accountants ("CICA") for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Basis of Consolidation

The consolidated financial statements include the accounts of Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to develop and operate a research park at the University of Manitoba.

c. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

d. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for salaries and benefits, the estimated useful life of an asset and certain actuarial assumptions used in determining employee future benefits. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

e. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, net investment income and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University BookStore, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Services and are budgeted on a break-even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Consolidated Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits and change in pension obligations.

f. Restricted Funds

Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government, for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) are recorded as capital grants. These capital grants, under the restricted fund method of accounting, are reflected as revenue in the Consolidated Statement of Operations and Changes in Fund Balances. The related future funding from COPSE over the terms of the promissory notes, to offset the interest expense and principal payments are both excluded from the Consolidated Statement of Operations and Changes in Fund Balances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of the University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds related to the group insurance plans are credited to this Fund Account. Employment Insurance premium savings resulting from the extended sick leave coverage provided by the University are also credited to this Fund Account.

Trust Fund:
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

g. Endowment Fund
The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the net realized investment income earned be utilized for designated purposes. The Fund balance also reflects the change in fair value of Endowment Fund investments, which is recorded as a component of net investment income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

h. Revenue Recognition
Restricted contributions are recognized as revenue of the appropriate Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Net realized investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor. The change in fair value (unrealized investment income) of Endowment Fund investments is recorded as a component of net investment income in the Endowment Fund.

Net investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds is recorded as unrestricted income in the General Operating Fund.

i. Contributed Materials and Services
Gifts-in-kind are recorded in the consolidated financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, the market value of these services are not recognized in the consolidated financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the consolidated financial statements, are critical to the successful functioning of the University.

j. Investments
Investments are classified as held-for-trading and are carried at fair value. The change in fair value of investments is reflected as a component of net investment income in the consolidated statement of operations. Fair value of investments is determined based on year end quoted market prices.

k. Pledges Receivable
The University does not record pledges receivable in its consolidated financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectibility is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

l. Inventories
Inventories have been valued at the lower of cost and net realizable value.

m. Capital Assets
Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and Major Renovations	15-50 years
Computer Hardware, Software and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the useful life of the asset. Works of art, treasures, rare books and manuscripts are not amortized.

n. Collections

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

o. Pension Costs

The University sponsors three pension plans for its employees and retirees:

The University of Manitoba Pension Plan (1970), The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). The 1970 Plan and 1986 Plan are defined contribution plans and as a result the pension costs are based on contributions required by those plans.

The Pension Costs for the 1993 Plan are determined actuarially using the projected unit credit actuarial cost method and best estimate expectations of investment performance, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the active employees.

The funded position of the 1993 plan is disclosed in Note 15.

p. Financial Instruments

The financial instruments at the University consist of cash, marketable investments, accounts receivable, investments, accounts payable, unearned revenue, staff vacation entitlements, other long term liabilities, capital lease obligations and long term debt.

The primary risk exposures for investments are foreign currency, interest rate volatility, and market and credit risk. The University, through the work of its investment committees, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments.
The University is also exposed to interest rate risk on its long term debt. The University has entered into interest rate swap agreements for a portion of its long term debt obligations.

q. Employee Future Benefits

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability, and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends.

The University also accrues its obligations relating to post-retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post-retirement pension adjustments is actuarially determined using the projected benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

Actuarial gains or losses are recognized in the year the gain or loss arises.

r. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

s. Derivative Financial Instruments

From time to time, the University uses derivative financial instruments, including interest rate swap agreements, in its management of exposures to fluctuations in interest rates. An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Any derivative

financial instruments that do not qualify for hedge accounting are adjusted to fair value at each year end with any resulting gains or losses recorded in net revenue.

t. Future Accounting Policy Changes

Disclosure and Presentation of Financial Instruments

The CICA has issued two new standards, CICA 3862 "Financial Instruments – Disclosures" and CICA 3863 "Financial Instruments – Presentation" which are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures, and the management of these risks.

These new standards, which were effective April 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. These entities are permitted to continue to apply CICA 3861 "Financial Instruments - Disclosure and Presentation" in place of CICA 3862 and CICA 3863. An entity that does so must disclose this fact.

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 "Disclosures of Allocated Expenses by Not-for-Profit Organizations."

CICA 4400 "Financial Statement Presentation by Not-For-Profit Organizations" was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make CICA 1540 "Cash Flow Statements" applicable to NFPOs; and
- make CICA 1751 "Interim Financial Statements" applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430 "Capital Assets Held by Not-For-Profit Organizations" was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460 "Disclosure of Related Party Transactions by Not-For-Profit Organizations" was amended to make the language in the standard consistent with CICA 3840 "Related Party Transactions."

New standard CICA 4470 "Disclosure of Allocated Expenses by Not-For-Profit Organizations" establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new standard are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

Business Combinations and Non-controlling Interests

The CICA has issued three new standards, CICA 1582 "Business Combinations," CICA 1601 "Consolidated Financial Statements" and CICA 1602 "Non-controlling Interests."

CICA 1582 will be converged with International Financial Reporting Standard (IFRS) 3 "Business Combinations". CICA 1602 will be converged with the requirements of International Accounting Standard (IAS) 27 Consolidated and Separate Financial Statements for non-controlling interests. CICA 1601 carries forward the requirements of CICA 1600 "Consolidated Financial Statements" other than those relating to non-controlling interests.

CICA 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need

(in thousands of dollars)

for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Any non-controlling interest will be recognized as a separate component of equity [net assets]. Net income is calculated without deduction for the non-controlling interest. Rather, net income is allocated between the controlling and non-controlling interests.

The new standards are effective for fiscal years beginning on or after January 1, 2011. Early adoption is encouraged. These standards will affect the accounting treatment used for any future business acquisitions.

3. CHANGES IN ACCOUNTING POLICIES

The University adopted the new standards, CICA 3031 "Inventories" and CICA 1535 "Capital Disclosures".

Inventories
Effective April 1, 2008, the organization adopted CICA 3031 "Inventories". This standard provides guidance on the measurement and disclosure requirements for inventories. The adoption of the standard had no impact on the organization's financial statements.

Capital Disclosures
Effective April 1, 2008, the University adopted CICA 1535 "Capital Disclosures", which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the organization's objectives, policies and processes for managing capital. The adoption of this standard only required additional disclosures, which are provided in Note 17.

4. ACCOUNTS RECEIVABLE

	2009	2008
Council on Post-Secondary Education	$ 513	$ 136
General	30,597	39,928
Research and Special	29,804	38,764
	$ 60,914	$ 78,828

5. INVESTMENTS

	2009 Fair Value	2008 Fair Value
Research and Special Funds		
Guaranteed Investment Certificate	$ 346	$ 346
Operating		
Government of Canada Bonds		10,386
Province of Manitoba	45,238	
Other Provincial	15,213	
Corporate	19,904	
	80,355	10,386
Trust & Endowment		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	27,595	29,333
Bonds and Other Fixed Income Securities:		
Government of Canada	41,212	46,060
Province of Manitoba	1,425	2,727
Other Provincial	9,666	9,821
Municipal		1,813
Corporate	5,011	3,769
Other	134	139
	57,448	64,329

(in thousands of dollars)

	2009 Fair Value	2008 Fair Value
Equities:		
Canadian Equities	74,137	108,013
US Equities	46,882	61,775
International Equities	32,717	46,310
	153,736	216,098
Pooled Real Estate Fund	43,532	32,331
	282,311	342,091
Capital*		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	112	1,620
Corporate Bonds	832	202
	944	1,822
Staff Benefits		
Money Market Funds and Cash	460	493
Bonds	8,587	11,507
Equities:		
Canadian Equities	6,680	8,459
US Equities	3,826	4,963
International Equities	3,914	5,071
	14,420	18,493
Mortgage Fund	2,441	3,298
	25,908	33,791
Total Investments	$ 389,864	$ 388,436

*Represents Sinking Fund Assets on Deposit with the Province of Manitoba, which are held to retire the Capital Advances as described in Note 9

As at March 31, the average yields and the terms to maturity are as follows:

- Bankers Acceptances, Guaranteed Investment Certificates and Money Market Funds: 0.71% (2008, 3.58%); term to maturity: less than one year
- Government and Corporate bond funds: 3.94% (2008, 3.88%); terms to maturity: range from less than one year to more than 12 years.

The University's investment in real estate consists of units of a pooled real estate investment in the Great West Life Assurance Company – Canadian Real Estate Investment Fund No. 1. Effective December 15, 2008, the Great West Life Assurance Company placed a suspension on redemptions and transfers of units of the Fund. As at May 25, 2009 the suspension of redemptions and transfers of units was still in effect and The Great West Life Assurance Company had not publicly disclosed when the suspension will be lifted.

During the year ended March 31, 2009, the University recognized net unrealized losses of $79,568 on investments classified as held-for-trading, which is recorded in net investment income in the consolidated statement of operations.

6. CREDIT RISK EXPOSURE AND MANAGEMENT

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31 was:

	2009	2008
Financial Assets Held-For-Trading		
Cash	$ 90,419	$ 17,605
Marketable Investments	30,715	138,470
Investments	389,864	388,436
Loans and Receivables:		
Accounts receivable	60,914	78,828
Totals	$ 571,912	$ 623,339

(in thousands of dollars)

The University manages the credit risk related to these items as follows:

Cash and marketable investments are held in high quality Canadian money market instruments in Canadian Chartered banks or equivalent. Exposure to risk is managed by considering the rates of return in conjunction with liquidity needs and making investments in a variety of short term instruments with several financial institutions.

Credit risk related to investments is managed by maintaining a diverse portfolio of investments, investing with counterparties considered to be of high quality, and limiting the amount that can be invested in any one holding.

A significant portion of the University's accounts receivable are related to Research and Special Funds as disclosed in Note 4 and are from the federal and provincial governments, not-for-profit organizations, corporations, the US government and other universities. The University also has accounts receivable from students and staff. The credit risk on these receivables is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 3,285	$ 2,275	$ 3,266	$ 2,027
Buildings and Major Renovations	659,161	155,232	572,596	142,045
Computer Hardware, Software and Electronics	97,186	72,419	96,437	66,989
Construction in Progress	24,581		55,839	
Furniture and Equipment	186,029	109,996	171,441	97,642
Land	22,184		22,147	
Library Books	152,613	108,475	144,091	101,583
Parking Lots	7,074	1,411	6,827	1,063
Rare Books and Manuscripts	4,833		4,530	
Vehicles	7,307	5,533	6,996	5,565
Works of Art	2,085		1,948	
	1,166,338	455,341	1,086,118	416,914
Less Accumulated Amortization	455,341		416,914	
Net Book Value	$ 710,997		$ 669,204	

On Saturday, March 28, 2009 the Duff Roblin Building suffered significant damage due to an electrical fire. Work is underway to restore the building and either recover the contents or replace what was lost. The original cost of the Duff Roblin Building is estimated to be $8.1 million with an approximate net book value of $3.0 million. The University maintains insurance coverage however the amount of damages/restoration and the related insurance proceeds cannot be determined at this time. The University is unable to estimate the damages in terms of original costs and by various asset categories or items that may have been a period expense. As a result, no write down in asset values or insurance proceeds have been recorded in these financial statements. Any write down in asset values will be recorded in future years as the amounts can be identified along with the insurance proceeds.

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2010	$ 467
2011	323
2012	211
2013	49
Total Minimum Lease Payments	1,050
Less: Interest at 5.55%	(97)
	953
Less: Current Portion	(420)
	$ 533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands of dollars)

9. LONG TERM DEBT

	2009	2008
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	$ 70,400	$ 71,642
Promissory Note, 5.55% due April 1, 2036	71,918	73,032
	142,318	144,674
Capital Advances:		
7 1/8% due July 27, 2008		706
6 7/8% due December 15, 2009		257
6 7/8% due March 31, 2011	555	555
	555	1,518
Term Loans:		
*Smartpark Multi Tenant Facility, 5.975% due October 31, 2012	1,300	1,336
*Smartpark Multi Tenant Facility, 5.95% due January 22, 2014	3,350	3,350
	4,650	4,686
Bankers Acceptances with Interest Rate Swaps:		
*Smartpark Multi Tenant Facility, 3.85% due February 11, 2019	7,075	
Energy Performance Program, 4.31% due November 10, 2009	1,245	3,045
Arthur V. Mauro Student Residence, 5.92% due September 5, 2028	15,093	15,488
	23,413	18,533
	170,936	169,411
Less Current Portion:		
Promissory Notes	(2,484)	(2,355)
Capital Advances		(706)
Term Loans	(39)	(37)
Bankers Acceptances	(1,665)	(2,195)
	(4,188)	(5,293)
	$ 166,748	$ 164,118

**Represents debt of Smartpark Development Corporation*

Interest expense on long term debt was $11,872 (2008, $9,819).

The determination of the fair value of the Province of Manitoba promissory notes and capital advances is not practicable due to their underlying terms and conditions. The fair value of the term loans and bankers acceptances is approximately $32,761 compared to their carrying value of $28,063. Fair value of these long term debt instruments has been determined using future payments of principal and interest of the actual outstanding long term debt discounted at current interest rates available to the University.

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 5.92% on a 25 year loan for the Arthur V. Mauro Student Residence. The stamping fee is committed until September 1, 2013. Under the terms of the agreement, the University is required to make monthly principal and interest repayments similar to a conventional amortizing loan. The notional principal underlying this swap agreement amounted to $15,093 as at March 31, 2009 (2008, $15,488).

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 4.31% on the Energy Performance Program loan. Under the terms of this agreement, the University is also required to make monthly principal and interest payments. The notional principal underlying this agreement amounted to $1,245 as at March 31, 2009 (2008, $3,045). The stamping fee is committed until November 10, 2009.

Smartpark Development Corporation, (the Corporation), entered into an interest rate swap agreement to finance the development of 150 Innovation Drive, whereby the Corporation has fixed a swap rate of 3.85% that is committed until February 11, 2029. A stamping fee of .50% on the balance outstanding is committed for a 10 year term. Under the terms of the agreement, the Corporation is required to make monthly principal and interest repayments based on a total amortization period of 25 years, similar to a conventional amortizing loan after February 11, 2016. The notional principal underlying this swap agreement was $7,075 as at March 31, 2009.

The fair value of the swap agreements at March 31, 2009 was $4,608 (2008, $1,891) and has been recorded in accounts payable.

(in thousands of dollars)

Principal repayments on long term debt payable over the next five years are as follows:

	Promissory Notes	Capital Advances	Term Loans	Bankers Acceptances	Total
2010	$ 2,484	$	$ 39	$ 1,665	$ 4,188
2011	2,621	555	42	445	3,663
2012	2,766		44	474	3,284
2013	2,918		1,175	503	4,596
2014	3,080		3,350	533	6,963
Thereafter	128,449			19,793	148,242
	$ 142,318	$ 555	$ 4,650	$ 23,413	$ 170,936

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are non interest bearing and due as follows:

	2009	2008
2010	$	$ 2,500
2011	1,700	1,700
2012	346	346
	$ 2,046	$ 4,546

The $346 represents a refundable deposit held by Smartpark Development Corporation which is fully refundable to a tenant, provided the tenant renews their lease beyond 2012.

11. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees, and long term disability benefits for current employees. Post-retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non-contributory basis. The group life benefits are indexed post-retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post-retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University (50% from the General Operating Fund and 50% from the Staff Benefits Fund).

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post-retirement pension adjustments as of March 31. The most recent actuarial valuations were as of March 31, 2007 with the next valuations due as of March 31, 2010.

The Accrued Benefit Obligation for the non-pension benefit plans and the post-retirement adjustments are reported in the university's consolidated statement of financial position under long term liabilities.

(in thousands of dollars)

Information about the University's defined benefit plans as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	
	2009	2008	2009	2008	2009	2008
Benefit Cost	$ 9,014	$ 4,714	$ 492	$ 99	$ 9,506	$ 4,813
Accrued Benefit Obligation	54,067	52,913	4,821	5,565	58,888	58,478
Plan Assets	16,739	21,051	1,797	1,188	18,536	22,239
Employer Contribution	3,454	3,265	1,475	391	4,929	3,656
Employees' Contributions	1,595	1,362			1,595	1,362
Benefits Paid	5,050	4,627	740	782	5,790	5,409

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2009	2008	2009	2008
Equities	56%	56%	56%	55%
Fixed Income	33%	33%	34%	35%
Other	11%	11%	10%	10%
Total	100%	100%	100%	100%

Key Assumptions are:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2009	2008	2009	2008
Accrued benefit obligation at March 31:				
Discount rate	6.00%	5.50%	6.00%	5.25%
Benefit Cost for year ended March 31:				
Discount rate	5.50%	4.90%	5.25%	4.90%
Expected rate of return on assets	6.00%	6.00%	5.25%	4.90%
Health Care Cost Trend Rates at March 31:				
Initial rate	10.50%	11.00%		
Ultimate rate	6.00%	6.00%		
Year ultimate rate reached	2017	2017		
Dental Care Cost Trend Rates at March 31:				
Discount rate	4.00%	4.00%		

12. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2009	2008
General Operating Fund:		
Due to Capital Asset	$ (29,326)	$ (28,721)
Due to Trust	(2,674)	(1,957)
	$ (32,000)	$ (30,678)
Capital Asset Fund:		
Due from Operating	$ 29,326	$ 28,721
Trust Fund:		
Due from Operating	$ 2,674	$ 1,957

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13. INTER-FUND TRANSFERS

Inter-Fund transfers at March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ 410	$	$ 1.581	$	$	$(1.991)	$	$
Repayment of Staff Benefits	(1.475)					1.475		
Net Change in Vacation Pay & Pension Liability	4.831		(4.831)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	1.444					(1.444)		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(3.786)	3.786						
Unit Carryovers, Special Projects & Initiatives	(11.932)	13.198		(1.266)				
Funding of Capital Asset Additions	(26.926)	(5.988)		45.094	(7.470)		(4.710)	
Long Term Debt Repayments	(4.041)			4.081	(40)			
Student Contributions to University Development Funds	(1.047)			59				988
Student Contributions for Technology	(3.242)			3.242				
Scholarships, Bursaries & Prizes	(4.436)	(100)		181	(123)		4.478	
Other Net Transfers	(13)			27	21		(3.468)	3.433
Overhead Recoveries	3.389				(3.389)			
Funding of General Operating Expenses	9.386	(2.198)		(801)	(950)		(5.437)	
Unit Capital Development Assessment	(4.023)			4.023				
Funding of Research Projects	(71)				1.009		(938)	
March 31, 2009	$ (41.532)	$ 8.698	$ (3.250)	$54.640	$ (10.942)	$(1.960)	$(10.075)	$ 4.421
March 31, 2008	$ (47.376)	$ 20.885	$ (502)	$49.167	$ (11.281)	$(4.665)	$ (9.119)	$ 2.891

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $1,159 (2008, $1,184).

15. PENSION PLANS

The University of Manitoba administers The University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

1993 Plan

The University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. In prior years, the surplus from the Plan was adequate to fund any amounts required in excess of matching contributions of active members and the University

The actuarial present value of accrued pension benefits for the 1993 Plan has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long term market conditions. An actuarial valuation effective December 31, 2007 was completed in 2008 by a firm of consulting actuaries. The results of this valuation were extrapolated by the actuary to December 31, 2008.

The University uses a December 31 measurement date for reporting plan assets and obligations.

The actuarial present value of benefits and plan assets as of December 31, were as follows:

Accrued Benefit Obligation	2008	2007
Actuarial present value of accrued pension benefits at beginning of year	$ 939,667	$ 870,172
Interest accrued on defined benefits	19,442	34,533
Interest accrued (decreased) on Member Accounts	(93,809)	53,611
Benefits accrued	35,894	31,941
Benefits paid	(70,613)	(69,023)
Actuarial loss	42,517	
Valuation method adjustment		18,433
Change in assumptions	13,918	
Actuarial present value of accrued pension benefits at end of year	$ 887,016	$ 939,667

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The actuarial present value of accrued pension benefits for 2007 have been restated to reflect the effect of using the fair value of assets at the 2007 year end.

	2008	2007
Plan Assets		
Fair value at beginning of year	$ 957,821	$ 974,371
Actual return on plan assets	(147,023)	23,018
Employer contributions calendar year	15,051	14,411
Employee contributions	15,050	14,410
Transfer from other plans	376	634
Benefits paid	(70,613)	(69,023)
Fair value at end of year	$ 770,662	$ 957,821

	2008	2007
Pension Liability		
Accrued benefit obligation	$ (887,016)	$ (939,667)
Plan assets	770,662	957,821
Plan (deficit) surplus	(116,354)	18,154
Contributions during fiscal year in excess of calendar year	447	
Adjusted plan (deficit) surplus	(115,907)	18,154
Unamortized net actuarial losses (gain)	111,864	(18,154)
Pension liability	$ (4,043)	$

	2008	2007
Pension Liability		
Beginning of Year	$	$
Employer Contributions, Fiscal Year	(15,498)	(14,411)
Net benefit plan expense	19,541	14,411
Pension (Liability) end of year	$ (4,043)	$

	2008	2007
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 20,468	$ 16,897
Interest costs at discount rate	55,338	88,144
Expected return on plan assets	(56,265)	(57,275)
Amortization of Actuarial loss		52,690
(Decrease) in valuation allowance		(86,045)
Net benefit plan expense (revenue)	$ 19,541	$ 14,411

	2008	2007
Significant Long-term Actuarial Assumptions		
Discount rate	6.0%	6.0%
Expected rate of return on assets	6.0%	6.0%
Rate of general salary increase	4.0%	4.0%
Interest assumption for converting member accumulations to annuities	5.5%	5.5%
Mortality based on an adjustment to the Uninsured Pensioner 1994 Mortality table Projected to 2015.	the adjustment varies by age (average 67%)	90% of the Projected Table

During the year, the Manitoba Pension Commission advised that the University is required to begin to make additional payments with respect to current service costs. The total estimated payment for calendar 2009 is $2.7 million.

The following events had a material impact on the funded position of the 1993 Plan at December 31, 2008, as compared to December 31, 2007 and the impact is reflected in the above reported amounts.

1. In 2008, the actuary for the pension plan completed a study of the mortality of the pensioners of the 1993 Plan. As a result of that study, it was determined that the assumption of the mortality rates should be adjusted to reflect improved mortality rates in the future. This resulted in an increase in the accrued benefit obligation for the plan of approximately $14 million.
2. In calendar year 2008, reflecting the impact of the turmoil in the capital markets, the return from the pension fund assets was -15.7% compared to the 6% rate assumed by the plan's actuary. This resulted in an actuarial loss on the plan assets of approximately $75 million.
3. In addition to the loss described in 2. above, the impact of the -15.7% return on plan assets was to reduce the value of the members' accounts by approximately $94 million, which produced an increase in the

(in thousands of dollars)

obligation for supplemental pensions for active members. This resulted in an actuarial loss of approximately $43 million.

4. The unamortized net actuarial losses shown above, which were determined on the basis of this valuation for accounting purposes, is to be amortized over a period of 9 years (expected average remaining service life) starting in fiscal 2009-10. In prior years, actuarial gains/losses were recognized immediately. This change in accounting policy is applied prospectively as it is not practicable to determine the cumulative effect on the prior periods. However, cash funding for the pension plan is based on the going-concern funding valuation as described below.

The going concern deficit that results from these and other sources of loss, as they apply to the valuation for funding purposes filed with the pension regulators, will have to be funded under the Pension Benefits Act over a maximum of 15 years following the next funding valuation date, scheduled for December 31, 2009 to be completed in 2010. It is expected that this will lead to a significant increase in the required funding contribution of the University following the next actuarial funding valuation. In addition to matching contributions and additional contributions for current service costs, the University would also have to make payments to fund the deficit over 15 years.

In 2009, the University applied to the Province of Manitoba for an exemption to solvency funding requirements under the Pension Benefits Act as permitted under the University Pension Plans Exemption Regulation. If approved, the effect will be to exempt the 1993 Plan from the solvency funding requirements of the Pension Benefits Act. The Plan will continue to be subject to the going-concern funding provisions of the Act and any funding deficits will have to be paid by the University over a maximum of 15 years as indicated above.

1986 Plan

For the 1986 Plans, which is a money purchase plan for active members, the University recorded contributions of $1,669 (2008, $1,604) and this is included in the consolidated statement of operations as an expense.

1970 Plan

There were no university employees earning pension entitlements in 2008 in the1970 Plan. As a result, the University made no contributions to the Plan during the year.

16. NET INVESTMENT INCOME (LOSS)

2009	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income						
Interest	$ 5,023	$	$ 3,004	$ 789	$	$ 8,816
Dividends		729	4,360			5,089
Gains on sale of investments		147	2,767			2,914
	5,023	876	10,131	789		16,819
Change in fair value of investments	626	(6,961)	(26,660)		(45,947)	(78,942)
Total	$ 5,649	$ (6,085)	$ (16,529)	$ 789	$ (45,947)	$ (62,123)

2008	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income						
Interest	$ 6,597	$ 817	$ 4,399	$ 2,023	$	$ 13,836
Dividends			4,209			4,209
Gains on sale of investments		1,246	9,193			10,439
	6,597	2,063	17,801	2,023		28,484
Change in fair value of investments	386	(1,820)	(12,844)		(18,268)	(32,546)
Total	$ 6,983	$ 243	$ 4,957	$ 2,023	$ (18,268)	$ (4,062)

17. CAPITAL DISCLOSURES

a. Capital Management

General Funds (note 2e)

The University's objective in managing its operating capital is to maintain sufficient resources to allow it to satisfy its financial obligations even if adverse financial events were to occur.

The University manages its operating capital through an operating budget which is approved by the Board of Governors. The University has been successful at achieving a balanced budget at the end of each fiscal year and this success is credited to a strong commitment to fiscal responsibility and financial stability as well as a strong commitment by faculties, schools, libraries and support units who share in that responsibility. This is achieved in a decentralized system of budgetary control whereby academic and support units are allocated resources on an annual basis to meet their strategic priorities and those of the University. These operating units are provided with procedures

to administer their budgets responsibly and to ensure that there is accountability for the resources that are transferred to them. In the event of a shortfall in revenues, the University could invoke a spending freeze, reduce budgets, or access its Provisions Funds including the Fiscal Stabilization Fund.

Restricted Funds and Endowment Fund (notes 2f and 2g)
The University also maintains externally and internally restricted funds (note 2f) and an endowment fund (note 2g).

The restricted funds are managed with the objectives to spend the funds in accordance with the various terms and not spend beyond the resources that have been provided. Individual funds are established and carefully monitored both within the departments and within central administration. In the event of an over expenditure or ineligible expenditure, the department would be responsible for funding the costs from other resources. In the case of the Capital Asset Fund, at the approval of the Province of Manitoba, the University is permitted to enter into long term debt to assist with the financing of capital assets.

The endowment fund is managed with the long term objective of preserving the capital of the individual endowment accounts to ensure inter-generational equity, whereby current students are neither advantaged nor disadvantaged compared to future students. The goal is to earn investment returns, adjusted for inflation, which will support the ongoing expenditures and commitments of the fund. The Trust Investment Committee ("the Committee") is responsible for the investment of endowment assets. Assets are invested in accordance with an Investment Policy Statement. The Committee determines an asset mix that meets the return objectives of the fund while assuming an appropriate level of risk. Each individual asset (within the mandate of the approved asset mix) is invested by professional external managers, and the portfolio is rebalanced to the target asset mix according to the Investment Policy Statement. The asset mix is reviewed annually to assess whether the risk and return objectives of the fund are met.

The approved spending rate of the net investment income earned on the endowment fund, plus inflation, must be supported by the long term investment. The spending rate is set by the Vice-President (Administration) based on the recommendation of the Committee and reviewed annually to determine the viability of maintaining the rate in light of long term investment performance. The performance of the fund is subject to volatility. The endowment fund is monitored through full market cycles to assess the effectiveness of the asset mix and spending rates which are then adjusted accordingly.

b. Quantitative data
The University's capital comprises its fund balances, which include unrestricted funds, internally restricted funds, externally restricted funds, and funds invested in capital assets. Capital in the restricted funds also includes long term debt. The University's Consolidated Statement of Operations and Changes in Fund Balances sets out fund balances at the beginning and end of the year.

As at March 31, 2009, The University has met its objectives with respect to its capital requirements.

18. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual obligations relating to Construction in Progress amount to \$13,502 (2008, \$24,990).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2009.

The University entered into an agreement with a third party for the sale of a building for total proceeds of \$7.15 million. The closing date of the transaction is expected to be in fiscal 2009-10.

19. ECONOMIC INTEREST IN RELATED ENTITIES

The University of Manitoba Foundation U.S.A. Inc.
The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. ("the Foundation") which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere.

The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members of the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

20. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2008 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2009.